

CLEANUP FUND TASK FORCE MINUTES OF AUGUST 3, 2009 MEETING

Members present:

Barbara Dunn
Rich Premzic
Zack Moran
Deborah Lichtenberger
David Arrieta
Nick Bokides
Julie Thompson
Jerry Piritz
Dan Johnson
Steve Goldberg
Jim Arnold
Markus Niebanck
Charles Ice
Eric Swenson (by telecon)

Members absent: Ron Chinn

Alternates present: Dwayne Ziegler, Mark Magargee, Nicole Gleason (designated alternate for Ron Chin), Misty Kaltreider (by telecom)

Alternates absent: David Zedrick, Hans Herb,

State Water Board staff present: Allan Patton, Lori Casias, Selica Potter, Toru Okamoto

AGENDA ITEMS

Orders of business

1. Minutes from 7/15/09 meeting were approved by the Task Force members.
2. The Task Force agreed that decisions will be made by consensus.
3. Two facilitators were provided by EPA and were present to assist the Task Force in its processes.

Cash flow presentation by CUF staff

1. The Task Force was given two spreadsheets for analyses:
 - Fiscal year 07-08 Encumbrance Plan showing actuals vs. (1) projected annual appropriation, (2) projected cash to disperse to the four priority classes (further broken down by amendments or currently active claims and new LOCs), and (3) projected new claims.

- Fiscal Year 09-10 Revenue/Expenditure Plan (projected balance sheet?) showing projected revenues (based on revenues of 08-09 without adjustment, or 08-09 revenues equal 09-10 projected revenues) versus projected expenditures (CUF admin costs, regulatory oversight costs, legislated special accounts and other agencies costs and claims payment costs).
2. A suggestion was made to include unpaid obligations (claims in-house) in the information presented so that the information could be considered in context of the overall cash demand on the Fund.
 3. A request was made for data showing the effect of significant historic industry influences (such as the Lawrence Livermore report and the introduction of MtBE into regulatory framework) on the cash demand of the Fund. Staff responded that no such data exists.
 4. An explanation of the 07-08 Encumbrance Plan was provided by CUF staff with the following significant points:
 - The Fund has traditionally operated with an emphasis on disbursing its annual appropriation.
 - The annual appropriation is based on the previous year's actual expenditures.
 - During the 07-08 year, the Fund's revenues declined.
 - As revenues declined, the Fund kept paying reimbursements at the rate appropriate for the encumbrance plan resulting in the depletion of the Fund's cash reserve
 5. An explanation of the 09-10 Revenue/Expenditure Plan was provided by staff. The Task Force questioned staff on several aspects of the expenditures listed in the plan in an attempt to look for possible savings that could be used to fund reimbursements in house. Staff offered the following comments (by expenditure category):
 - Fund Admin: Staff has been furloughed three days per month. This should show as a reduction of the Fund Admin costs but likely not at the corresponding percentage. This was not reflected in the document provided to the Task Force.
 - Special Accounts: The comingled plume account will be funded for \$10 million. OSCA will be funded for \$10 million but will be offset by federal grant. EAR will be funded at \$5 million, but will likely disperse \$2.5 million. The additional \$2.5 million may be used by the Fund to pay other claims.
 - Regulatory Oversight: LOP contracts have been negotiated and, therefore, are not a source of savings. Regional Boards should provide savings to the Fund due to staff furloughs.

- Other Agencies: most of these sub-category expenditures cannot be adjusted by Fund management. DPH/WR transfers are budgeted at \$5 million, but this program will not be renewed.
6. Fund staff and the Task Force discussed several aspects of LOP funding. A concern was voiced about the possibility of the Fund paying for LOP agencies' overhead costs not associated with UST cases. It was determined this is likely not happening based on the fact that LOP programs are billed independently, LOP programs are audited every three years by the State Controller, contracts are negotiated annually and the costs to the Fund of the LOP programs approximate those of the Regional Boards.

Legislative update by Jay McKeeman of CIOMA

1. Currently, CIOMA is attempting to address the Fund's current issues by working with Assembly and Senate members on the following items: introducing legislative language to be able to access federal grant money, increasing the UST fee by six mils, making financing fees reimbursable, making the claims portion of the Fund continuously appropriated. These efforts are ongoing.
2. The attempt to include the six mils fee increase in the recent budget process was unsuccessful. There may be a chance that it could pass in the future as a separate bill, but CIOMA believes there must be a strong effort made at the local level by individuals contacting their legislators and the governor.
3. CIOMA will add a publicly accessible page to the its web site regarding progress toward legislative goals.

Short Term and Long Term Priority Items: The Task Force discussed the merits of the priority items listed at previous meetings as possible short term/immediate recommendations for the Board in order to make more funds available to pay reimbursements. The Task Force discussed the following recommendations based on feasibility (management decision vs. Board approval vs. legislative actions), financial benefit and near term implementation:

1. Immediately increase cash available to pay existing in-house reimbursement requests by:
 - Using a portion of the Fund's operating reserves. Staff agreed to approach the Fund's accounting department to determine the amount of the reserve and how conservative the reserve requirement is and report back at the next meeting. Staff agreed this is feasible in that it can be handled as a management decision, the financial impact is unknown and it can be done in the short term.
 - Re-allocating money within the 09-10 Revenue/Expenditure Plan. Certain budgeted commitments are either not going to be funded or

will be partially funded. Some commitments may have leeway as to when in the fiscal year they are funded. Staff agreed this is feasible in that it can be handled as a management decision, the financial impact is uncertain (could be \$10 million plus?) and it can be done in the short term. Staff will report on the financial impact at the next meeting.

- Reducing Fund expenses. Staff indicated that there isn't much opportunity to reduce expenses, with the exception of reflecting the impact of the 3-day furlough policy.
2. Expediting approval of existing reimbursement requests currently in house. Speeding up the approval process would enable consultants to obtain "bridge financing." Staff agreed this is feasible in that it can be handled as a management decision, it will have a financial impact and it can be done in the short term. However, staff would not offer quantitative goals. Staff will report back on this item at the next meeting.

Closing Orders of Business

1. Communication Between Task Force Members: If Task Force members want to share information with the rest of the group, it should be forwarded to staff in order to post it on the Fund's web site.
2. The decision was made to present the Task Force's short term priority items to the Board in an interim report at the September 15, 2009 Board meeting. Staff will proceed with requesting time at the Board meeting for a presentation.
3. The Task Force will continue using the facilitators provided by the USEPA.

Agenda for August 17, 2009 Task Force Meeting

1. Staff will report on the feasibility, financial impact and timing of action items identified in the discussion of short term priorities.
2. Continuation of discussion on short term
3. Draft letter to the Board regarding priority items
4. Address audit questions